

TABLE OF CONTENTS

INTRODUCTION	1
SCOPE	1
EXECUTIVE SUMMARY	2
DISTRICT OFFICE RESPONSE	2
FINDINGS AND RECOMMENDATIONS	
CIMS / ASSIST Security	
Security Officer's Log Report (PD-180)	2
Review of the ASSIST Security Violation Report (VB9-173)	2-3
MA-010 Reconciliation (Rewrites)	3
MA-010 Reconciliation-Flagged Transactions	3-4
CIMS Security Codes	4
CIMS/ASSIST Status Codes	4
Review of PF-011 Report	5
CIMS Security Agreements	5
ASSIST Enrollment Profile and Security Agreements	5-6
Cash Receipts	
DHS-61 Log	6
Safe and Controlled Documents	
Controlled Document Reconciliation	6-7
State Emergency Relief	
ES-440 Report Reconciliation	7
Procurement Card	
Procurement Card Reconciliation	7
Payroll and Timekeeping	
Payroll Certification	8
Payroll Record and Retention	8

INTRODUCTION

The Office of Internal Audit performed an audit of the Redford District for the period October 1, 2002 through June 17, 2004. The objectives of our audit were to determine if internal controls in place at the local office provide reasonable assurance that departmental assets are safeguarded, transactions are properly recorded on a timely basis, and policies and procedures of the Michigan Department of Human Services (DHS) are being followed. The Redford District had 78 full time equated positions (FTE's) at the time of our review. The Redford District provided assistance to average 14,728 recipients per month during FY 2003, with total assistance payments of \$21,076,836 during that year.

SCOPE

Our audit was performed in accordance with Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. We obtained descriptions of significant systems operating at the Redford District, documented those systems, and evaluated controls in each system. We tested the systems for compliance, where feasible. We included the following systems:

Client Processing

Cash Disbursements

Cash Receipts

Employment Support Services

State Emergency Relief

Safe and Controlled Documents

Procurement Card

Payroll and Timekeeping

CIMS/ASSIST Security

EXECUTIVE SUMMARY

Based on our audit, we conclude that the Redford District internal controls are generally adequate to provide management with reasonable assurance that assets are safeguarded and transactions are executed in accordance with management's authorization. We did, however, find a few instances of noncompliance with DHS policies and procedures and weaknesses in internal controls, which are detailed below.

DISTRICT OFFICE RESPONSE

The Redford District did not respond to our draft report.

FINDINGS AND RECOMMENDATIONS

CIMS / ASSIST Security

Security Officer's Log Report (PD-180)

1. The Redford District did not document the reconciliation of the Security Officer's Log Report (PD-180) to the Security Agreements (DHS-3974A) as required by the Primary Internal Control Criteria for Local/District Office operations.

WE RECOMMEND that the Redford District have the reconciler sign and date each transaction listed on the PD-180 report after it is reconciled to a revised Security Agreement.

Review of the ASSIST Security Violation Report (VB9-173)

2. The Redford District did not document the ASSIST Security Officer's reconciliation of the ASSIST Security Violation Reports (VB9-173) against the ASSIST Enrollment Profiles (DHS-3720) signed by management or supervision. This report is system generated each day a security violation occurs. Use of the VB9-173 report

strengthens ASSIST system security when there is a current review of any security violations.

WE RECOMMEND that the Redford District have the ASSIST Security Officer complete a reconciliation, at least weekly, of the entire daily VB9-173 report against the DHS-3720 authorization form signed by management or supervision. The reconciliation also includes verification, with the affected user, of Security Officer password resets. The ASSIST Security Officer should sign and date each transaction listed on the ASSIST Security Violation Report (VB9-173) at completion of the reconciliation.

MA-010 Reconciliation (Rewrites)

3. The Redford District did not reconcile a sample of rewrites listed on the MA-010 report to the case documentation, as recommended by the Primary Internal Control Criteria for DHS Local/District Office Operations. Reconciliation of rewrites provides assurance that their assigned workers opened cases.

WE RECOMMEND that the Redford District reconcile a sample of rewrites to case documentation.

MA-010 Reconciliation-Flagged Transactions

4. The Redford District did not reconcile all flagged transactions on the Transaction Control Listing (MA-010) to the input documents, as required by the Local Office Reports Description Manual. Reconciliation of all flagged accounts helps to ensure that transactions were properly authorized and correctly entered on the Client Information Management Systems (CIMS).

WE RECOMMEND that the Redford District reconcile 100 percent of the Supplemental Payments on the MA-010 to the DHS-13's and other supporting documentation.

CIMS Security Codes

5. One Office Services clerk had FLM status on the Client Information Management System (CIMS) at the Redford District. This status code allows this individual to make changes to client cases and process other transactions that are not necessary to perform the duties of an office services clerk. Allowing staff to access transactions that are inconsistent with their job duties weakens system access controls.

WE RECOMMEND that the Redford District change the office services clerk to Inquiry Only (INQ) status on CIMS, or customize this individual's FLM status to allow access to only those transactions that are necessary to perform the duties of the position.

CIMS/ASSIST Status Codes

6. One Department of Human Services Manager (FIM) at the Redford District had FIS status on Client Information Management System (CIMS) and was assigned Job Type 280 and 360 on ASSIST. This combination would allow this FIM to register and open cases, and process case transactions without an independent review of those transactions.

WE RECOMMEND that the Redford District either change the FIM to Inquiry Only status on CIMS and remove Job Type 360 from the FIM on ASSIST, or have an independent person review all transactions processed by that FIM.

Review of PF-011 Report

7. The Redford District did not have supervisory staff review the Client Information Management System (CIMS) operator identification report (PF-011) for user's access and compatible job function. Several employees who are no longer working at the Redford District are listed on the PF-011 report. Internal Control Criteria for DHS requires the PF-011 report be reviewed and certified by management/supervision to verify that access on the report agrees with the user's current job function.

WE RECOMMEND that the Redford District have management/supervision review the Operator Identification Report (PF-011) to verify that access to the Client Information System (CIMS) agrees with current job functions for staff.

CIMS Security Agreements

8. The Redford District did not have accurate, up-to-date CIMS Security Agreements (DHS-3974A) on file for five employees who had access to the Client Information Management System (CIMS), as required by L-Letter 97-063.

WE RECOMMEND that the Redford District ensure they have accurate, up-to-date CIMS Security Agreements on file for all employees who have access to the CIMS system.

ASSIST Enrollment Profile and Security Agreements

9. The Redford District did not have accurate, up-to-date Security Agreements (DHS-3721) and ASSIST Enrollment Profiles (DHS-3720) on file for several employees (8 and 9 respectively) who had access to ASSIST, as required by L-Letter 97-156. Accurate, up-to-date Enrollment Profiles and Security Agreements provide

documentation that workers understand the access they have on ASSIST and the responsibility associated with that access.

WE RECOMMEND that the Redford District ensure that accurate, up-to-date Enrollment Profiles and Security Agreements are on file for all employees who have access to ASSIST.

Cash Receipts

DHS-61 Log

10. The Redford District did not always record disposition information on the Record and Disposition of Checks/Warrants (DHS-61) as required by Accounting Manual Item 460. We found several open items on the DHS-61, where the Checks/Warrants were not on hand and the DHS-61 did not provide documentation that returned Checks/Warrants were disposed of properly.

WE RECOMMEND that the Redford District record the disposition of all Checks/Warrants on the DHS-61.

Safe and Controlled Documents

Controlled Document Reconciliation

11. The Redford District did not prepare the Monthly Controlled Document Inventory and Reconciliation (DHS-4351) for their Controlled Documents as required by Accounting Manual Item 403. Use of the Controlled Document Log and preparation of the Monthly Controlled Document Inventory and Reconciliation help to ensure that loss, theft, or misuse of Controlled Documents would be detected on a timely basis.

WE RECOMMEND that the Redford District prepare the Monthly Controlled Document Inventory and Reconciliation for all Controlled Documents.

State Emergency Relief

ES-440 Report Reconciliation

12. The Redford District did not reconcile the DHS-849 Issuance Report (ES-440) with the file copies of the Authorization/Invoice (DHS-849) each month, as required by Accounting Manual Item 404. Reconciliation of the ES-440 report helps to ensure that all payments made from DHS-849's were accurate and appropriate.

WE RECOMMEND that the Redford District reconcile the ES-440 report to the DHS-849's each month.

Procurement Card

Procurement Card Reconciliation

13. The Redford District did not properly separate the Procurement Card purchase and verification of goods received duties. Our review disclosed that the purchaser also maintained all the purchase related documents, including the signed procurement log to evidence verification of goods received. The Primary Internal Control Criteria for Local/District Office Operations recommends a separation of duties for purchasing and reconciliation duties. A separation of duties will help to ensure all purchases were properly authorized.

WE RECOMMEND that the Redford District separate the procurement card functions of purchase authorization, verification of goods received, reconciliation of log, and control of access to related records.

Payroll and Timekeeping

Payroll Certification

14. The Redford District did not establish adequate control over the payroll review and certification process. The timekeeper at Redford District certified the payroll on the Data Collection and Distribution System (DCDS) before the payroll was reviewed and approved by management responsible for certifying the payroll.

WE RECOMMEND that the Redford District certify the payroll on the Data Collection Distribution System (DCDS) after the authorized certifier has reviewed and approved the payroll.

Payroll Record and Retention

15. The Redford District timekeeper maintained the certified copy of the HR-332A. The Primary Internal Control criteria for Local/District Office Operations recommends that someone other than the timekeeper retain the HR-332A so that changes made after the certifier signs the HR-332A could be detected.

WE RECOMMEND that the Redford District certifier, or someone other than the timekeeper, retain the HR-332A.